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Legislative Audit Division

State of Montana

Report to the Legislature

September 1995

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1995

Montana Council on Vocational Education

This report contains an unqualified opinion on the council's financial schedules and no recommendations.

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Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1993 has been issued. Copies of the Single Audit Report can be obtained by contacting:

Legislative Audit Division
Room 135 State Capitol
PO Box 201705
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STATE OF MONTANA

Office of the Legislative Auditor

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SCOTT A. SEACAT

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MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

September 1995

To the Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana Council on Vocational Education for the two fiscal years ended June 30, 1995. We thank the Executive Director and Program Specialist for their assistance and cooperation.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

Legislative Audit Division

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1995

Montana Council on Vocational Education

Members of the audit staff involved in this audit were Paul J. O'Loughlin, John Fine, and Wayne Kedish.

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Appointed and Administrative Officials

Montana Council on Vocational Education	Dr. Jon Jourdonnais, Chairperson	
	Roy Korkalo, Vice Chairperson	
	Elaine Forrest	
	Greg Harding	
	Felicity McFerrin	
	Dr. Dennis Lerum	
	Jesse O'Hara	
	Sandy Merdinger	
	James Schultz	
	Christie Pilcher	
	Avis Ann Tobin	
	Howard Williams	
	Carol Thomas	
Administrative Officials	James W. Fitzpatrick	Executive Director
	Lucie Willson	Program Specialist

Introduction

Introduction

We performed a financial-compliance audit of the Montana State Council on Vocational Education (council) for the two fiscal years ended June 30, 1995. The objectives of the audit were to:

1. Determine council compliance with applicable laws and regulations.
2. Identify areas needing improvement in the management and internal controls of the council.
3. Determine the status of the prior audit recommendation.
4. Determine if the council's financial schedules present fairly the results of operations for the two fiscal years ended June 30, 1995, in accordance with state accounting policy.

Concerns deemed not to have a significant effect on the successful operations of the council program are not specifically included in the report, but have been discussed with management.

Background

The Montana Advisory Council for Vocational Education was created in 1969 by executive order to comply with the federal Vocational Education Act of 1963. The Carl Perkins Vocational Education Act of 1984 (Public Law 98-524) permitted the council to take a more active role in the planning and evaluation of vocational education in the state. Following passage of the act, the state changed the name of the council to the Montana Council on Vocational Education.

The council is funded from federal vocational education funds and must exist in order for Montana to receive federal vocational education funds. Expenditures of the council were $153,509 in fiscal year 1993-94, and $149,336 in fiscal year 1994-95.

The council's purpose is to plan vocational programs, services, and activities in Montana which function efficiently and are available to all persons who need and can benefit from them. The council has 13 members appointed by the governor representing various occupations, backgrounds, and geographic locations in the state. Federal regulations require a diverse membership to facilitate input

from Montana's citizens. Under federal guidelines, the council assists the "sole state agency" responsible for vocational education, the Board of Regents of Higher Education. The major responsibilities of the council are to:

1. Work with the Board of Regents: (a) in the development of the State Plan for Vocational Education and the annual program, and (b) on policy matters arising out of the administration of these plans.

2. Evaluate the effectiveness of the vocational education program and advise the Governor, the Board of Regents, State Job Training Coordinating Council, the U.S. Secretary of Education, and the U.S. Secretary of Labor in writing of any findings.

3. Assist the Board of Regents in developing evaluations of vocational education and monitoring these evaluations.

4. Evaluate the vocational education and the job training delivery systems in terms of adequacy and effectiveness in meeting the purposes of the Carl Perkins Vocational Education Act.

5. Comment on and recommend improvements in the adequacy and effectiveness of the coordination between vocational education and the Job Training Partnership Act.

6. Comment on the adequacy or inadequacy of state action in implementing the state plan.

The council employs an executive director, a program specialist, and a half-time position for clerical support to assist in carrying out the council's responsibilities.

Prior Audit Recommendations

Prior Audit Recommendations

We performed the audit of the Montana Council on Vocational Education for the two fiscal years ended June 30, 1993. The report contained one recommendation regarding the recording of the council's operating budget on the state's accounting records. The council implemented the recommendation.

Independent Auditor's Report & Agency Financial Schedules

STATE OF MONTANA

Office of the Legislative Auditor

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LEGAL COUNSEL:
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DEPUTY LEGISLATIVE AUDITORS:
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Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Montana Council on Vocational Education for each of the two fiscal years ended June 30, 1994 and 1995, as shown on pages A-4 through A-8. The information contained in these schedules is the responsibility of the council's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the council's assets and liabilities.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Montana Council on Vocational Education for the two fiscal years ended June 30, 1994 and 1995, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

August 11, 1995

MONTANA COUNCIL ON VOCATIONAL EDUCATION
SCHEDULE OF CHANGES IN FUND BALANCE
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1995

	Special Revenue Funds
FUND BALANCE: July 1, 1993	$ 0
ADDITIONS	
Fiscal Year 1993-94	
Budgeted Revenue	152,854
Prior Year Expenditure Adjustments	634
Direct Entries to Fund Balance	21
Fiscal Year 1994-95	
Budgeted Revenue	149,187
Prior Year Expenditure Adjustments	149
Total Additions	302,845
REDUCTIONS	
Fiscal Year 1993-94	
Budgeted Expenditures	153,509
Fiscal Year 1994-95	
Budgeted Expenditures	149,336
Total Reductions	302,845
FUND BALANCE: June 30, 1995	$ 0

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-7.

MONTANA COUNCIL ON VOCATIONAL EDUCATION
SCHEDULE OF BUDGETED REVENUE - ESTIMATED & ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1995

	Federal
Fiscal Year 1994-95	
SPECIAL REVENUE FUND	
Estimated Revenue	$199,519
Actual Revenue	149,187
Collections Over(Under) Estimate	$(50,332)
Fiscal Year 1993-94	
SPECIAL REVENUE FUND	
Estimated Revenue	$202,373
Actual Revenue	152,854
Collections Over(Under) Estimate	$(49,519)

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-7.

MONTANA COUNCIL ON VOCATIONAL EDUCATION
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT & FUND
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1995

	Fiscal Year 1993-94	Fiscal Year 1994-95
PERSONAL SERVICES		
Salaries	$ 73,519	$ 74,273
Other Compensation	3,300	3,050
Employee Benefits	16,306	16,807
Total	93,125	94,130
OPERATING EXPENSES		
Other Services	14,859	9,890
Supplies & Materials	1,474	1,814
Communications	4,830	4,113
Travel	20,852	20,960
Rent	7,725	6,931
Repair & Maintenance	409	573
Other Expenses	6,334	4,874
Total	56,483	49,155
EQUIPMENT AND INTANGIBLE		
Equipment	3,431	5,847
Intangible Assets	470	204
Total	3,901	6,051
TOTAL PROGRAM EXPENDITURES	$153,509	$149,336
SPECIAL REVENUE FUND		
Budgeted	$165,988	$167,990
Actual	153,509	149,336
Unspent Budget Authority	$ 12,479	$ 18,654

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-7.

Notes to the Financial Schedules
For the Two Fiscal Years Ended June 30, 1995

1. Summary of Significant Accounting Policies

Basis of Accounting

The Montana Council on Vocational Education uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental Funds. In applying the modified accrual basis, the council records:

> Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.
>
> Expenditures for valid obligations when the council incurs the related liability and it is measurable.

State accounting policy also requires the council to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures and expenses may include: entire budgeted service contracts even though the council received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustment. Accounts are organized in funds according to state law. The council uses the following fund:

Governmental Funds

Special Revenue Fund - to account for proceeds of federal Carl Perkins Vocational Education funds.

2. Annual and Sick Leave

Employees at the council accumulate both annual and sick leave. The council pays employees for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in accompanying financial schedules. At June 30, 1995 the council had a liability of $14,610.

3. Pension Plan

Employees are covered by the Montana Public Employees' Retirement System. The council's contribution to the retirement system was $4,575 in fiscal year 1993-94 and $4,625 in fiscal year 1994-95.

Council Response

MONTANA COUNCIL ON VOCATIONAL EDUCATION

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JAMES W. FITZPATRICK
EXECUTIVE DIRECTOR

August 29, 1995

Mr. Scott A. Seacat
Office of the Legislative Auditor
State Capitol
Helena, MT 59620

Dear Mr. Seacat:

We appreciate the opportunity to review and comment on the Financial-Compliance Audit Report for the Montana Council on Vocational Education for the two fiscal years ended June 30, 1995. The Council concurs with the Report dated September 1995.

We wish to thank the members of your staff for conducting the audit in a timely and efficient manner. May we also express appreciation for honoring the time constraints of the Council staff. Thank you for waiving the exit conference and allowing us the opportunity to examine and evaluate the report. This was extremely helpful in view of our current work load.

In closing, may we convey appreciation to Mr. O'Loughlin for his professionalism in conducting the audit and for his valuable input and assistance in addressing agency financial concerns and procedures.

Sincerely,

Jon Jourdonnais
Dr. Jon Jourdonnais
Chairman

Jim Fitzpatrick
Jim Fitzpatrick
Executive Director

Lucie Willson
Lucie Willson
Program Specialist

"AN EQUAL OPPORTUNITY EMPLOYER"